



**Date:** August 4, 2008

**To:** City Manager for Council Action

**From:** Mary Ann Parrot, Director of Finance

**Subject:** Resolution implementing the Municipal Services Division Utility Services Rules and Regulations which includes establishing the basis for writing off closed, uncollectible Account Receivable amounts.

**EXECUTIVE SUMMARY:**

As the city has improved its billing and collection systems over the years, Staff has requested approval of revisions to the Rules and Regulations under which the Finance Department manages the utility billing and collection operations. One of the topics recently reviewed was outstanding Accounts Receivable. In order to provide a true reflection of current collectible Accounts Receivable (A/R), the City should have the HARRIS Utility Billing System reflect only the amount that can be reasonably collected on closed accounts. The City is currently carrying uncollectible Account Receivable (A/R) amounts dating back to the old legacy billing system used in the 1990's.

When an account has been delinquent for 90 days and the customer has not responded to letters of notification, the account is sent to an outside collection agency. Best practices afford outside collection agencies a two year recovery period before they deem a closed account to be uncollectible. It is beneficial for the City to establish the business process to write off uncollectible accounts from the current Utility Billing System Accounts Receivable ledger when they remain uncollected for two years and longer.

The City could safely adopt a two year time frame for A/R recovery attempts on closed accounts and establish a process whereby charges of \$50.00 or more are submitted to an outside collection agency for recovery. If a two (2) year period elapses and the outside collection agency is unable to collect, the account would be deemed uncollectible. The remaining balance would be flagged as uncollectible and simultaneously written off the HARRIS Utility Billing system.

**ADVANTAGES AND DISADVANTAGES OF ISSUE:**

Advantages of adopting the attached Resolution will provide the basis for establishing a business process whereby the Municipal Services Division of the Finance Department is accurately reporting and reconciling uncollectible revenue to an outside collection agency within specific parameters set forth by best practices. In addition, the Utility Billing system storage space will be enhanced, making way for the UMIS Northstar Upgrade project to synchronize and migrate the HARRIS database platform to the City standard Sequel Server platform.

Disadvantages of not adopting this Resolution include the fact that this will distort the accuracy of the Accounts Receivable for the City. In addition, the UMIS Northstar Upgrade may be directly impacted

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resulting in delays and cost overruns if the current HARRIS system is overloaded with closed/uncollectible accounts.

**ECONOMIC/FISCAL IMPACT:**

No funds are required to be expended to adopt this Resolution to implement the revisions to the Municipal Services Rules and Regulations.

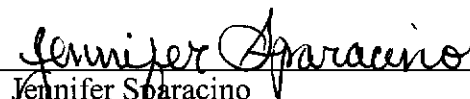
**RECOMMENDATION:**

That the Council adopt the Resolution Implementing the Municipal Services Division Utility Services Rules and Regulations as revised to include establishing the basis for writing off closed, uncollectible Accounts Receivable amounts.



Mary Ann Parrot  
Director of Finance

APPROVED:



Jennifer Sparacino  
City Manager

***Documents Related to this Report:***

- 1) Resolution Implementing the Municipal Services Division Rules and Regulations, as revised***

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY OF SANTA CLARA,  
CALIFORNIA, AMENDING CITY OF SANTA  
CLARA MUNICIPAL SERVICES DIVISION  
UTILITY SERVICES RULES AND REGULATIONS  
REGARDING UTILITY SERVICES IN THE CITY  
OF SANTA CLARA**

**BE IT RESOLVED BY THE CITY OF SANTA CLARA, CALIFORNIA, AS  
FOLLOWS:**

**WHEREAS,** the City of Santa Clara, California ("City") provides electric, water, and refuse utility services ("Utilities") to residential, commercial, institutional and industrial customers within the corporate City limits of the City of Santa Clara; and

**WHEREAS,** the City Council previously adopted Resolution Number 7083 and Ordinance No. 1787, on November 4, 2003, which established the authority [SCCC 13.05.070] to enact and amend the City of Santa Clara Municipal Services Division, Utility Services Rules and Regulations; and,

**WHEREAS,** the amendments to the Rules and Regulations are necessary to allow the City to bring them up to date and correct technical deficiencies and omissions while maintaining the ability to reduce the risks due to failure of its customers to pay their utility bills; and

**WHEREAS,** the City's Utilities continue to provide value and service to the City of Santa Clara and its customers through the adoption of these amendments to the Rules and Regulations; and

**WHEREAS,** the attached Rules and Regulations regarding utility service have been drafted by the authority given to the City Manager pursuant to City Charter Section 803; and

**WHEREAS**, the City finds and determines that the provisions in this Resolution are exempt from environmental review under the California Environmental Quality Act Guidelines Section 15378 (b)(3) of the State CEQA Guidelines implementing the California Environmental Quality Act of 1970 as amended.

**NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA, CALIFORNIA, AS FOLLOWS:**

1. Adoption of Amendments to Utility Rules and Regulations

That the following new City of Santa Clara Rules and Regulations are hereby adopted, as amended from time to time, adding Section 6.L Closed Account Collection Activity – Write Off and Section 6.M Miscellaneous Collection Activity – Write Off, to alter the process for writing off uncollectible accounts and is amended to read as follows:

6.L. CLOSED ACCOUNT COLLECTION ACTIVITY – WRITE OFF

6.L.1 The outside collection agency may deem an account uncollectible after a two (2) year collection period has expired. Any unpaid charges will be flagged by the collection agency as uncollectible and the Director of Finance or his/her designee will simultaneously write off the Utility Billing System.

6.L.2 In the event charges are collected on a closed account deemed uncollectible, the account will be reinstated for the amount of payment.

6.M. MISCELLANEOUS COLLECTION ACTIVITY – WRITE OFF

6.M.1 An account with a credit balance < \$5.00 will be written off by the Director of Finance or his/her designee.

6.M.2 An account with a debit balance of < \$5.00 will be written off by the Director of Finance or his/her designee.

6.M.3 The Director of Finance or his/her designee may waive Municipal Service-related NSF fees and/or late fees if sufficient evidence has been presented to warrant extenuating circumstances.

2. Effective Date

That the terms and provisions of the Rules and Regulations referred to herein regarding utility service be adopted and effective immediately.

3. Remaining Rules and Regulations Unchanged

All other terms and provisions of the Utility Rules and Regulations which are not in conflict with the provisions of this Resolution shall remain unchanged in full force and effect and in case of a conflict in the terms, the provisions of this Resolution shall control.

4. Public Inspection

That a true and correct copy of this Resolution and amendment to the Municipal Services Division, Utility Services Rules and Regulations shall be kept on file in the Office of the City Clerk until replaced with any future Resolution and amendments to the Municipal Service Utility Services Rules and Regulations by the City Council shall be open to public investigation and inspection during the regular hours of such offices.

5. Savings Clause

The terms and provisions of the Municipal Services Division Utility Rules and Regulations adopted in this Resolution shall not affect any offense or act committed or done or any penalty or forfeiture incurred or any right established or accruing before the effective date of this Resolution; nor shall it affect any prosecution, suit or proceeding pending or any judgment rendered prior to the effective date of this Resolution.

6. Constitutionality; Severability

If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of

Santa Clara hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 200\_\_, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST: \_\_\_\_\_  
ROD DIRIDON, JR.  
CITY CLERK  
CITY OF SANTA CLARA

Attachments Incorporated by Reference:

1. None

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CITY OF SANTA CLARA  
AGENDA MATERIAL ROUTE SHEET

Council Date: TBD

SUBJECT: Resolution Revising Utility Services Rules & Regs.

**CERTIFICATION**

The proposed Resolution  
Regarding Revised Utility Services Rules & Regulations  
has been reviewed and is hereby certified.

**PUBLICATION REQUIRED:**

The attached Notice/Resolution/Ordinance is to be published \_\_\_\_\_ time(s) at least \_\_\_\_\_ days before the scheduled meeting/public hearing/bid opening/etc., which is scheduled for \_\_\_\_\_, 200\_\_.

**AUTHORITY SOURCE FOR PUBLICATION REQUIREMENT:**

**Federal Codes:**

Title \_\_\_\_\_ U.S.C. § \_\_\_\_\_  
(Titles run 1 through 50)

**California Codes:**

Code \_\_\_\_\_ § \_\_\_\_\_  
(i.e., Government, Street and Highway, Public Resources)

**Federal Regulations:**

Title \_\_\_\_\_ C.F.R. § \_\_\_\_\_  
(Titles run 1 through 50)

**California Regulations:**

Title \_\_\_\_\_ California Code of Regulations § \_\_\_\_\_  
(Titles run 1 through 28)

**City**

City Charter § \_\_\_\_\_ (i.e., 1310. Public Works Contracts. Notice published at least once at least ten days before bid opening)

City Code § \_\_\_\_\_

1. As to City Functions, by

MAPUNA 8-13-08  
Department Head

2. As to Legality, by

HL  
City Attorney's Office 08.11.55

3. As to Environmental  
Impact Requirements, by

N/A  
Director of Planning and Inspection

4. As to Substance, by

J. Sparacino  
City Manager

Revision Date June 7, 2005